

NO. 10 IN A SERIES OF OCCASIONAL PAPERS

# looking forward

## THE SOCIAL- INDUSTRIAL COMPLEX



by Michael Harrington

The *Social-Industrial Complex* is excerpted from a chapter which will appear in Michael Harrington's new book, *Toward A Democratic Left*, to be published by the Macmillan Company in May, 1968.

### ***The Author***

Michael Harrington is the author of *The Other America* and *The Accidental Century*. He is also Chairman of the Board of the League for Industrial Democracy.

PUBLISHED BY THE



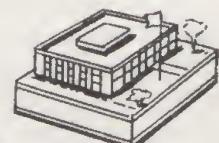
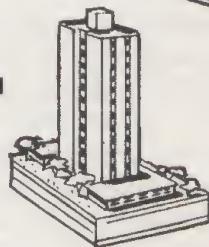
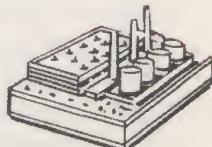
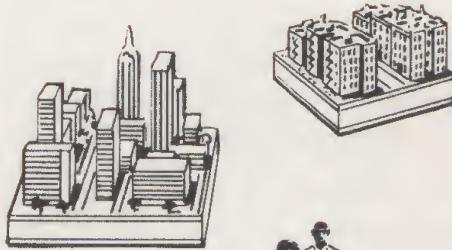
**LEAGUE FOR INDUSTRIAL DEMOCRACY**

112 E. 19 STREET • NEW YORK, N.Y. 10003

Cover design by Eugene Glaberman

# THE SOCIAL- INDUSTRIAL COMPLEX

by Michael Harrington



American business has long scrambled over the common good in its haste to pursue private profit. But now, the corporations earnestly threaten a new, distinctive and paradoxically dangerous course. Instead of creating social problems, they are going to solve them. In a strangely optimistic speech at the University of Chicago last year, Lyle M. Spencer, President of Science Research Associates (an IBM subsidiary), gave an apt and ominous name to this new development, the "social-industrial complex."

Spencer's enthusiasm is puzzling in that his phrase is modeled on one of the most somber statements Dwight Eisenhower ever made: his warning against the sinister potential of a "military-industrial complex." And indeed, the phenomenon is quite similar to the united front of executives and generals which so alarmed President Eisenhower. The military-industrial complex bases itself on a permanent war economy and a huge defense establishment. This enormous vested interest in the means of annihilation, Eisenhower feared, could subvert the democratic process in vital questions of war and peace. The social-industrial complex also builds upon public expenditure and a "partnership" between government and business. But its rationale is the Great Society, not the Cold War. (Much of the massive spending waits, in fact, upon the end of the tragic war in Vietnam.)

As Spencer puts it, "Social causes which in the 'thirties were the domain of college professors, labor unions and student demonstrations are today becoming the new business of business." What is menacing about this sudden outburst of corporate conscience is that satisfying social needs and making money are two distinct, and often antagonistic, undertakings.

Certainly the urgent demands on the nation for housing, schools, jobs, clean air, and plain civility must be met. But will the social needs really be met if the central role in the solution is given to profit-seeking enterprises? To answer this question, it is well to begin with a slightly cynical analy-

sis of earthy motives of the corporatists who want to throw the private sector into the breach.

First of all, it is important to understand that thought is becoming power to a degree beyond the wildest imaginings of a Platonist philosopher-king. Five years ago, Clark Kerr estimated that the production, distribution and consumption of knowledge already accounted for 29% of the Gross National Product and was growing at twice the rate of the rest of the economy. In 1966 the president of IBM declared that the nation was fast approaching a time in which more than half the work force would be involved in processing and applying data. Recently Harold B. Cores, the head of a Ford Foundation subsidiary proclaimed, "learning is the new growth industry." So higher education is no longer the aristocratic province of a tiny upper-class minority. And both practical politicians and hard-headed businessmen have noticed this momentous trend.

Second, the executives of the social-industrial complex, and the American people as a whole, have been tutored by militant Negroes, without degrees in Business Administration. In the Eisenhower 'fifties, civic virtue was equated with a balanced budget. But, beginning with Dr. Martin Luther King's Montgomery bus boycott of 1955, a Negro mass movement rescued America's better self. Eventually, the practical idealism of black men rekindled the spirit of protest on the campus, challenged the churches and the unions and, in effect, prepared the country to respond to John Kennedy's summons to action. In the process, social conscience became a political force. Americans suddenly noticed the racial ghettos, the black and white poor, the polluted air and the squalid facilities of the public sector.

But for all the talk about reform, little was done. Three years after the proclamation of the Great Society the Manpower Report noted that the slums had become worse, its people more desperate. In the series of summer riots which began in 1964,

America was provided with another motive for change: fear. Some, to be sure, simply wanted to suppress the social problems which gave rise to the violence by brute force. If this view triumphs then the entire society might stagnate for a generation or more. But others were driven by the urban upheavals to seek immediate and far ranging solutions to the evils festering in the central cities.

These trends created, as Herbert Hollomon put it on behalf of the Department of Commerce, a "public market." Hollomon urged private industry to go out and build colleges and create new cities. Max Ways of *Fortune* called this approach "creative federalism." It rested, he said, upon "the rapprochement, during the Johnson Administration, between government and business. The two still have and will always have different responsibilities and aims. But they are beginning to use the same working language, depend on the same kind of people, and get at tasks and decisions in the same way."

Finally, credit must be given to Barry Goldwater for convincing private enterprise to ratify the massive federal presence which the social-industrial complex requires. The ideological unreality of Goldwater's presidential campaign forced businessmen to choose between the risks of the market and the stability of a managed economy. The captains of the greatest industries unhesitatingly chose the latter course and in the process endorsed Lyndon Johnson's Great Society.

So the companies have acquired a conscience at the precise moment when, for a variety of technological, social and political reasons, there is money to be made in doing good. And in pursuit of their own private purposes, the executives are going to have much to say about what Americans think and how they live. The knowledge industry now includes, among others, General Dynamics, AT&T, General Electric, Time Inc., Minnesota Mining and Manufacturing, Bell and Howell, Philco, Westinghouse, Raytheon, Xerox, CBS, Burroughs Business

Machines and Packard Bell. The city building industry has attracted Goodyear, General Electric, Humble Oil, Westinghouse, U.S. Gypsum and even Walt Disney Productions. And this, clearly, is only the beginning of the beginning.

Charles Silberman of *Fortune* was not being extravagant when he wrote recently that the knowledge industrialists, in partnership with the government, are "likely to transform both the organization and content of education and, through it, of American society itself." Clearly such a massive concentration of private power in a traditional public domain is a disturbing fact. I asked one of the top men in the field, Francis Keppel, about it.

Keppel, the former United States Commissioner of Education, is now the head of General Learning, a knowledge corporation which has been put together by General Electric and Time Inc. His social conscience long predates the business discovery that thinking is a blue-chip occupation. There is, Keppel concedes, a danger that business will dominate, rather than serve, American education. Yet, he argues, perhaps the danger has been exaggerated. Of the tens of billions of dollars which America spends each year on schooling, the largest single expenditure is for teachers' salaries. After that, the money goes to construction and maintenance and only about 4% of the total, or less than \$1.5 billion a year, is devoted to instructional materials of all kinds. Therefore, Keppel says, the giant corporations have not really discovered such a huge market and there really isn't a fiscal motive for "taking over" the system.

Second, Keppel points out that decision making in American education is decentralized, authority is vested in a multiplicity of boards, superintendents and principals. The only way that the knowledge industry can serve a truly public purpose, he believes, is by being clearly subordinate to the educators. The latter must dictate the content of what is to be taught. The corporations can then supply them with the services and materials, but they must not im-

pose a curriculum which is designed to satisfy the needs of private profit rather than those of students.

Keppel's second point, it seems to me, involves a crucial distinction. For there are two distinct antagonistic modes of business participation in the solving of social problems which often employ an identical rhetoric. On the one hand, the society can democratically decide on what it wants to teach and the kinds of cities it wants to live in. It can then contract out the preparation of materials, the construction work, and even certain advisory functions to the private sector. This would keep planning and programming clearly under democratic political, rather than corporate, control, and make non-profit organizations the pivot of the whole system. This is what Keppel advocates. On the other hand — here is the sinister potential of the social-industrial complex — America might unwittingly hire business to build a new urban civilization on the basis of the very money-making priorities which brought the old civilization to crisis. The contractor would not simply execute the contract. He would draw it up as well.

Keppel admits that this second, and ominous, possibility exists. He also concedes that the relative smallness of the educational market is cause for pessimism rather than optimism. It could mean that companies will design machines and programs according to corporate specification for private use and then, as a careless, moneymaking afterthought, unload them on school systems as well. Keppel himself is clearly determined to fight this tendency. And there have been published reports of an internal struggle within General Learning between the technicians and engineers, concerned with knowledge "hardware," and the educators. Yet there is disturbing evidence of powerful elements in the industry much less idealistic than Keppel. If they prevail, the intellectual formation of the American young could be subordinated to the pursuit of profit. Enthusiastically, even euphorically, the *Wall Street Journal* has

reported that Keppel's worst fears are already becoming fact.

"It is clear," the *Journal* said in one analysis, "both government and industry will play increasingly active parts in deciding what schools will teach and how they will present it." A little later, the paper was more precise: ". . . new schools to a considerable extent have to be built around the electronic gear that will cram them."

There are already signs that this is happening. "A lot of schools have been taken advantage of by industry," according to Dr. Frank Brown, Superintendent of Schools in Melbourne, Florida. "There are millions of dollars worth of equipment stored in schools that just isn't practical." And the United States Commissioner of Education, Harold Howe II, generalized the point: "Like the drug for which there is yet no disease, we now have some machines that can talk but have nothing to say. I would caution the businessman not to venture into hardware unless he is prepared to go all the way into printed materials and programming."

If, as Howe rightly fears, the technical comes to predominate over the intellectual in American schools, then fundamental decisions about learning will become a function of the corporate struggle for shares of the knowledge market. If this happens, then each producer will push its own particular technology: Xerox its kind of teaching machines; IBM computer-run classrooms; CBS, television; and so on. Obviously machines, computers and television may have an enormous contribution to make to American education. But how is one going to decide among them? If the *Wall Street Journal* estimate is correct, there will be a considerable amount of company jockeying before the basically educational decision is made. At this point, those familiar with the military-industrial complex will be aware of a striking similarity between it and the emerging social-industrial complex.

Each element in the defense sector (sometimes in alliance) — particular industries,

branches of the service, "independent" associations for the Army, Air Corps, Navy and Marines, and even trade unions — has its own special interest (profit for the companies, prestige and power for the officers, jobs for labor). And each one lobbies for strategies which are determined, not by any objective analysis of the needs of the nation, but by their own stake in the decision. The debate over the B-70 bomber during the Kennedy Administration was a classic case in point. A powerful section of the military-industrial complex, led by the Air Force, mounted a determined campaign against the Administration in favor of proposals which had been rejected by three Secretaries of Defense under Eisenhower and by Secretary McNamara under Kennedy.

Something like this pattern is beginning to emerge within the social-industrial complex. "Business," to quote the *Wall Street Journal* once more, "is turning into an important force for pushing embattled domestic proposals through Congress." An executive of the Department of Housing and Urban Development is quoted as saying, "Each agency has gradually developed a list of firms interested in its field . . . we don't keep them turned on all the time, but we know how to turn them on. . ." At first glance this might seem to portend a happy situation in which the corporations are lending their political power to a public purpose. But, as the experience of the military-industrial complex demonstrates, such procedures lead straight to private alliances between self-interested executives and ambitious bureaucrats. This trend is already quite developed in the cities industry — where, for instance, real estate men support rent subsidies as a means of attacking public housing — and, as the *Wall Street Journal* realizes, it is going to appear in education too.

A report in the June, 1967, *New Republic* vividly illustrates what this might mean. The Office of Education, it said, was considering a grant of \$2 million to build a computer classroom for Menominee Indians in Wisconsin. Westinghouse Electric was to

develop the hardware which would eventually serve 60 students. This considerable investment would do nothing to help 900 other children on the reservation who are currently receiving inferior education from uncertified teachers, and it is proposed at a time when mechanized teaching is being criticized by some educators as being too impersonal. If the *New Republic* is right, the decision makers had focused not on the needs of these Indian children but on considerations of governmental-corporate *realpolitik*. "The one substantive reason for financing this project," the article held, "is the government's interest in building up the education industry; in this instance, picking up Westinghouse's developmental costs so it can compete with other companies, like IBM, which the United States also finances." So these young Indians might be among the very first students in the land to have their education designed according to the engineering principles of the B-70 bomber.

During the 1967 New York State Constitutional Convention, there was another illustration of how business might put its aims first and education second. The elected representatives of the people were discussing adopting the principle of universal free college education for the citizens of the state. It was not a coincidence that at that precise moment all of the major institutional investors in New York suddenly decided not to bid on \$46.6 million in state school construction notes. It was widely rumored that they were fearful that the proposed constitutional provision would make such an investment too risky and this was a rather blunt hint that the members of the Convention should back off from any radical educational commitments to the people. Anthony Travia, the President of the Convention, in a not so veiled reference to the influence of Governor Rockefeller in the Chase Manhattan Bank, remarked, "Someone has a friend in some bank and it certainly isn't Travia."

As Keppel emphasized, the ultimate outcome of many of such alarming trends are

in doubt. There have been, to be sure, minor scandals like the hawking of programmed instruction door-to-door during the teaching machine vogue of a few years back. And Parsons College has shown what an aggressive administrator can do when he runs an educational institution like a business. But the giants in the field have been working cautiously with the long run in mind. So far they have been most active in vocational training, both private and public, and the case of the Job Corps may offer some hints of things to come.

When the Corps was first set up under the Economic Opportunity Act, it was widely hailed as a trail-blazing example of uniting Federal idealism and free enterprise expertise. Contracts were awarded to corporations like Federal Electric (a subsidiary of IT&T), the ubiquitous Litton Industries, U.S. Industries, and Westinghouse Air Brake. In general, the early high hopes have been disappointed. For, as Sar Levitan summed up the experience in 1967 the costs have been high (the contracts are, in effect, on a cost-plus basis), and the companies themselves have lost some of their enthusiasm, partly because the escalation of the tragic war in Vietnam makes them feel they can look toward McNamara rather than Shriver for government contracts. The most relevant perspectives on the Job Corps experience are provided by the members and organizers of the American Federation of Teachers, one of the fastest growing unions in the country. The AFT has consistently fought to improve the quality of education as well as the wages and working conditions of its members. Its somewhat disillusioned view of the privately operated Job Corps camps does not really have to do with money. Rather it centers on the feeling that the companies treated the educators in their employ like so many hired hands, that they treated schools as if they were factories.

John O'Leary is a personable young AFL-CIO organizer who worked with the AFT in their 1966 and 1967 attempt to sign up the Camp Kilmer Job Corps. Kilmer was oper-

ated by the Federal Electric Corporation and its contract established a relationship with Rutgers University, which was supposed to evaluate the project. The first Rutgers report was a controversial criticism of the Camp, charging "flagrant deficiencies." After much debate, the University decided that its professors were delivering their own opinions and nothing more.

Originally, as O'Leary tells the story of the organizing campaign, 80 academic teachers at Kilmer wanted to form a bargaining unit, and they came to the AFT. The management, according to O'Leary, reacted with union busting tactics. Labor relations experts were imported, group meetings were sponsored, everyone on the payroll received letters. The company, in a classic anti-union maneuver, insisted that the bargaining unit should be expanded to include vocational teachers and fought the issue up through the labor relations structure. By the time Federal Electric had carried its point at the regional level of the NLRB, the original union membership had either become demoralized or left the Camp.

At Excelsior Springs, Missouri, Westinghouse Air Brake fought a similar delaying action after AFT members went out on strike. Ten months after the original action, the union majority had eroded, the election was lost, and management proceeded to fire five of the union leaders (the AFT submitted unfair labor practices charges on this count). At the Parks Job Corps Center in California, managed by Litton Industries, a 20 day strike led to an election in June of 1967. In the course of that campaign, one of the complaints of the Teachers and Counselors Union at Parks was that "Litton bought hundreds of thousands of dollars of Litton teaching materials of questionable value in the classroom from its own educational subsidiary with your tax dollars and forced instructors to use them."

As a result of these experiences, John Schmid, the State Federation's Coordinator of the AFT, concluded that "it is plain that private industry feels that teachers deserve

even less of a voice in the formulation of curriculum than do most boards of education." This judgement has many implications but one of them is especially relevant here. As the idealistic, education-oriented activists of the AFT see the Job Corps experience, the private companies have tended to impose factory style labor relations on a school system. In this case Keppel's fears have been justified: business is here taking a commanding, autocratic position, not a subordinate one.

Indeed, David Gottlieb, a top analyst in the Office of Economic Opportunity's Plans and Programs Division, generalized this point in terms of OEO experience. The corporate-run Job Corps camps had, he said, a "garment of approval," for the conservatives in Congress are always ready to attack the inadequacies of a Federal project run by Harvard, Columbia or Berkeley but they are not apt to question the undertakings of a good, down to earth businessman. Therefore, Gottlieb asserted, the corporate undertakings are freer from governmental supervision than, say, a Peace Corps training institute directed by a University. And since social program administrators are always looking for industry support, they are less able to bring these operations under public control.

Gottlieb does not think that the companies have abused their freedom. Yet the fact that private entrepreneurs in the new knowledge industry already have an immunity from democratic criticism denied non-profit professors indicates, I believe, a dangerous trend in the field of education.

In his Farewell Address, President Eisenhower expressed alarm that the military-industrial complex would come to control American education. He was concerned about "the prospect of domination of the nation's scholars by Federal employment" and the possibility that "public policy could itself become the captive of a scientific, technological elite." In part, Eisenhower's fears have been justified. Clark Kerr testified to this — perhaps too candidly from the point of view of his own career — in

*The Uses of the Multiversity.* He said that Federal grants and big business needs are playing an ever increasing role in determining the shape and quality of higher education in America. But now, with the social-industrial complex the danger becomes more pervasive for it extends to the kindergarten and Job Corps camp as well as to the graduate seminar. There are those, like Keppel, who would make the knowledge industry the servant of the educators. But there seem to be many more who follow the jubilant philosophy expressed in the *Wall Street Journal* articles: that schools shall now be designed to fit machines rather than the other way around.

But the social-industrial complex is not simply concerned with how Americans think. It may also attempt to decide how the nation lives.

During the hearings chaired by Senator Ribicoff in 1966, the country got some idea of the enormous dimensions of the urban crisis. It is necessary, in President Johnson's phrase, to build a "second America" — between 1966 and 2000, the United States must construct more new housing units than it now possesses. The official estimates call for 2 million additional units a year, with at least 500,000 of them designed for low-income families. The AFL-CIO says we need 2.5 million new units a year; other estimates go as high as 3 million. And these things can only be done, businessmen like David Rockefeller told Ribicoff, if there is a Federal subsidy to attract the social conscience of profit-makers. So a huge, new, tax-supported market may well be in the making.

This is at least one reason why the backers of the Demonstration Cities (now Model Cities) Act in the fall of 1966 included Rockefeller, Henry Ford, Thomas Gates of Morgan Guaranty Trust, Alfred Perlman of New York Central, and R. Gwin Follis of Standard Oil of California. It also helps explain why General Electric is now interested in building a city of 200,000 people from the ground up — using GE products where possible, of course — and

why U.S. Gypsum is demonstrating its skills in publicly-supported slum rehabilitation and hopes to make an eventual 8 to 10 percent profit from such work. What was considered "socialism" only yesterday is turning into a sound business investment.

There is a modest precedent for this pattern in the activities of the "civic" executives who appeared in many major American cities in the 'fifties and 'sixties. These men were primarily bankers, department store owners, office-building landlords and others with a strong business stake in the central city. They mobilized entire communities, used both Federal and local funds, and improved the downtown areas to meet the needs of banks, department stores and office buildings rather than those of the black and white poor. In 1967, the *New York Times* reported that Mr. Lewis Kitchen, President of the City Reconstruction Company, was preparing to spend half a billion Wall Street and insurance company dollars in repeating this profitable error. He proposed to attract the upper and middle classes to the city by creating "an entire neighborhood screened from the blighted areas by wide parks and landscaping. . . ."

But the real danger today is not that the social-industrialists in the city industry will repeat the mistakes of the past (though some of them will). Nor, with a few exceptions, is the trouble that they are greedy profiteers engaged in some kind of conspiracy against the common good. The issue goes deeper than that. For when business methods are sincerely and honestly applied to urban problems, with every good intention, they still inevitably lead to antisocial results. In this area, as in education, only the primacy of the democratic political authority over economic values and interests will make possible the creation of new communities.

There are, of course, some fairly vulgar instances of groups simply placing their goals over and above those of the people. When the National Association of Real Estate Boards, a group not noted for its

social conscience and with much to answer for in the area of civil rights, comes out in favor of rent subsidies in order to kill public housing, there is need for complicated analysis. The major banks and businesses in Pittsburgh which have also approved the rent subsidy approach must be aware that they will eventually capture a good portion of the Federal grant. And the number of utility company presidents, department store owners and bankers who have backed the Model Cities program are, like the civic executives of recent times, determined that any urban renaissance be shaped in accord with their particular needs.

It is exactly when such crass concerns are not paramount that the real problem — the inapplicability of business methods and priorities to the crisis of the cities — emerges most clearly. The testimony of David Rockefeller of Chase Manhattan before the Ribicoff sub-committee is an excellent case in point.

Rockefeller is an enlightened, and liberal, banker. Urban problems, he quite rightly told the Senators, "are so closely interrelated they call for the establishment of over-all goals and guidance. Housing, schools, transport and pollution are all part of the same organic system. Public agencies, in most cases, must set the over-all goals, then provide assistance and incentives to private enterprise to carry out as much of the program as possible." In order to accomplish this, it is necessary to "take steps to make investment in urban redevelopment more appealing in comparison with other opportunities . . ." i.e., for tax subsidies to lure social-industrialists into a slum rehabilitation market which, in and of itself, is not attractive to money seekers. Senator Charles Percy's original home ownership plan was most blunt on this point and candid about real motives. His program, he said, "would be attractive to lenders because it promises a *competitive yield and no risk* in addition to its social and philanthropic appeal." [emphasis added]

In theory, the Rockefeller approach subordinates the businessman to the "over-all goals" of the community which are determined by democratic process. But, in my view, and this is the crucial point, with all the good will in the world, Mr. Rockefeller proposes in practice to interpret those goals according to an economic calculus which can have only antisocial consequences. And since he is talking in terms of five business dollars invested to every Federal dollar (Ribicoff hopes for a ratio of \$7 to \$1), the fact that he will allocate resources and order his design on the basis of tried, true and disastrous priorities is of some moment.

"Economic logic," Mr. Rockefeller says, "dictates that the use of real estate be in some meaningful relationship to its value. The projects we have mapped for lower Manhattan are massive, *and generally of commercial, taxpaying nature.*" [emphasis added] Because this is exactly the approach which contributed much to creating our current problems, it is difficult to see how it will solve them. As the 1966 Council of Economic Advisors Report analyzed the strain which the commuters are placing upon city transportation systems: "Compounding this problem has been the increase in urban land values which encourages taller buildings with dense occupancy."

In the 'fifties and 'sixties, the Rockefeller conception of land use prevailed dramatically in Manhattan. The builders made quite sure that real estate had a meaningful relation to its "value" as narrowly and commercially defined. Huge office buildings were constructed in the center of the city without any regard for other possible locations (Harlem, Bedford-Stuyvesant) or to alternate use of the resources for abolishing ghettos. An intolerable load thus was placed upon already crowded and grimy transit facilities. And there was, of course, a total lack of concern for history, beauty and civility.

A task force told Mayor Lindsay in 1966, "Few stores, theatres or hotels can compete with the arithmetic of office buildings. Those sites which have become legendary,

surrounded by character and convenience, often are just the ones the office builders want." If this situation continues, the task force said, buildings which give New York much of its distinctive style, like the Plaza Hotel, are doomed. The "massive," "commercial" and "taxpayer" structures which will go up in their place can be easily imagined. And if stores, theatres and even the Plaza Hotel cannot compete with office buildings, it is naive to think that the poor of the central city will be able to do so.

Less than a year after Mr. Rockefeller testified before the Ribicoff Committee there was an excellent illustration of what his words really meant. Eighteen Congressmen asked Governor Rockefeller and Controller Arthur Levitt not to put state offices in the World Trade Center but to locate them in Harlem, the South Bronx and Bedford-Stuyvesant instead. As the *New York Times* reported the story, Levitt's refusal to accept this suggestion was on David Rockefeller's grounds: "Mr. Levitt, whose approval is required on contracts exceeding \$1,000, said that his final decision would be based on economic factors, not on purported sociological advantages of locating in poor neighborhoods."

But taking such "sociological advantages" into account is precisely what is desperately needed if America is to emerge from its present crisis. It was both scandalous and utterly logical for the FHA to wait until just after the violent outbursts in Detroit to decide to give mortgage insurance to blighted and "economically unsound" neighborhoods. The insurance companies which pledged \$1 billion in ghetto rehabilitation waited, of course, until the FHA got around to thus insuring their investment. Their funds were to be directed toward rent subsidy housing, which would mean further government support and rents beyond the reach of the most poor. And finally, even if the entire billion was devoted to creating new dwelling units (which is doubtful), the effort would create only 80,000 new units, or less than 20% of the annual need as defined by the government

itself. In short, the society cannot really look to business for the massive instruments which it needs. Even under the best of Federally subsidized and insured circumstances, the catastrophes of the other America do not yield commercial rates of interest.

What the cities need are "uneconomic" allocations of resources. Money must be "wasted" on such uncommercial values as racial and class integration, beauty and privacy. And this is not simply a matter of some gigantic master plan for it concerns individual trees in front of individual houses as well. "Neighborhoods," the New York Chapter of the American Institute of Architects has said, "must be planned to create environments which offer more than mere spartan utility, which have character and provide pleasure for those who live there." Businessmen, even at their most idealistic, are not prepared to act in the systematically unbusinesslike way which such amenities require. Take, for example, the "turnkey" program announced for public housing in August, 1967 (the word comes from the construction industry, not the prison system, although its use in the area of public housing is, to put it mildly, stupid). Under this experiment, private companies are going to contract, not simply to build, but to manage public housing projects.

In discussing this idea, Joseph Califano of the White House staff was quoted as saying that "once a contract has been made under the turnkey process for a fixed amount, developers were free to make whatever profit they could within the framework of the contract." Under such circumstances, any honest and intelligent businessman would opt for the cheapest standards acceptable within the terms of the contract and that could have profoundly antisocial consequences. For it was precisely such a Congressional insistence on minimum amenities in public housing which, as Charles Abrams has documented, led to the (economical) practice of building segregated, high-rise monsters.

But perhaps the most striking illustration

of what commercial values do to social and aesthetic considerations is provided by the fate of the new town of Reston, Virginia. This project was initiated by Robert E. Simon and it originally envisioned architectural innovation and even a certain amount of social-class integration. These goals could not be accommodated on a businesslike basis and Simon was eventually forced to turn his dream over to the biggest investor, the Gulf Oil Corporation. Gulf's man, Robert H. Ryan, was quite blunt about the changes he intended to make: "Economic feasibility must be a part of good planning and design," he said. And therefore in building a new town "you have to listen to the market."

What Ryan heard on the market was to abandon even the ultimate aim of any kind of integration and to make the architecture much more conventional.

So businessmen are understandably loathe to make anti-profitable and pro-social decisions on their own initiative. It does not pay. But even if they were willing to do so, they really do not have the right. The uneconomic values of community are, or should be, in the public domain and must be subject to democratic determination. In this area, even more than in education, the social-industrialists must be subordinated to popular planning institutions.

Some people, of course, think we can get around this problem by uttering the magic word "rehabilitation." A great many of the social-industrial complex proposals on housing — ranging from HEW's Urban Development Corporation to Senator Percy's home ownership plan — pretend that the current problem will be solved if existing slums are refurbished. In this way, one is absolved from exercising any imagination in creating the second America. All that is necessary is to spruce up the first America. The only difficulty with this solution is that it will not work.

There are, to be sure, neighborhoods in big cities which could be rehabilitated and thus preserve variety and sometimes even beauty (Georgetown in Washington, D.C.

is an ex-slum). But in almost every case this involves removing about three quarters of the present residents. In an area like Harlem, for instance, the trouble is not just that people pay exorbitant rents for dilapidated quarters, but also that three, four and five humans have been crammed into spaces adequate to the needs of a single individual.

Rehabilitation will only work if it is part of a program to build millions of new housing units for the poor and the deprived (Senator Ribicoff estimates that, in reality, it takes a family income of about \$8,000 a year to qualify for current Federal subsidies for housing — which omits the majority of the American people). And second, if the nation is going to pay more than lip service to its goal of integration, then even the most prettied up, but racially segregated, ghetto will not do. Finally, both the problems of density and integration obviously require massive planning at the Federal, regional and local level if they are to be solved.

It is from this perspective that I would criticize Senator Robert F. Kennedy's anti-slum program. Kennedy has been one of the most compassionate and conscientious of men with regard to the ghettos. He understands that decent housing is utterly central to both the war on poverty and the struggle for civil rights. Yet his \$1.5 billion of tax incentives to lure investors into the slums would produce only 400,000 units in seven years according to the *New York Times*. That is 100,000 fewer units than the yearly rate of low-cost housing advocated by the 1966 White House Conference on Civil Rights. Indeed, none of the various proposals to get business into the low-cost housing field which were being circulated during 1967 was designed to help the poor. In Kennedy's scheme, as in the suggestions of Senators Percy, Clark, and Mondale, the units are intended to rent to families with incomes between \$4,000 and \$6,000. Now it is certainly true that this group has been effectively excluded from the post-War federal subsidies and has a right to govern-

mental help. But it is a matter of some moment that these programs offer nothing to the poor (the poverty "line" in 1967 was set at \$3,200 for an urban family of four) and therefore would not even touch the majority of Negroes in the United States.

Moreover, the Kennedy approach could result in subdividing the design of a neighborhood into a myriad of 100-unit parcels. The Senator proposes that the Federal Government insist on minimum standards, but surely they are no substitute for the creative planning of a new urban environment.

And neither is the philosophy expressed by John Notter of the American-Hawaiian Land Company, an enterprise spun off by the American Hawaiian Steamship line, which creates New Towns. "The secret," Notter told *Fortune*, "is getting other people to spend their money instead of you spending yours. Most of our office space is devoted to bookkeepers. In New Town developments that's the real name of the game!" And *Fortune* added admiringly, "As American-Hawaiian and Humble [Humble Oil] are proving, that's one game large corporations can understand." What kind of new urban civilization will such a game produce?

In short, even the most good-hearted social-industrialism will aggravate, rather than resolve, the urban crisis. It is precisely the *de facto* planning authority which has been conferred upon commercial values that has brought us to our present plight. Business cannot play the dominant role in the attempt to rescue the cities from the mess which business methods and priorities have created. And it is impossible to get around this embarrassing fact by talking about rehabilitation. There is simply no substitute for a creative exercise of the social imagination and massive public investment.

At this point it is possible to synthesize various aspects of the social-industrial complex and to identify a new, and dangerous, American philosophy. It is the ideology of anti-ideology.

The notion that Western society is coming to an "end of ideology" was first articulated by academics, almost all of them liberals, some of them socialists. As Daniel Bell developed the idea, the advanced economies had achieved such material affluence and political consensus that "the old politico-economic radicalism (preoccupied with such matters as the socialization of industry) has lost its meaning . . ." The result was a "post-industrial" society in which the "new men are the scientists, the mathematicians, the economists and the engineers of the new computer technology."

This theory was adapted to corporate purposes by business philosophers like Max Ways. For the proclamation of the end of ideology provided an excellent rationale for the social-industrial complex. (Bell and his colleagues had not, of course, intended this use of their thesis). If the public market were still a 'thirties-like battleground where antagonistic classes and groups fought for dominance, then business, as a minority special interest, could hardly be trusted with the social fate of the majority. But if, as Ways argued, "U.S. politics is making a major turn from the politics of issues to the politics of problems," then all is changed. The old, ideological debate over "issues" in which the radicals proposed to take from the rich and give to the poor is no more. Problem-solving is the order of the day. And the corporation, as a neutral association of qualified experts, will, for a reasonable fee, promote the public good in an absolutely impartial and scientific way.

The evidence assembled here indicates that Ways and the other philosophers of the social-industrial complex are wrong. In producing a knowledge technology, running Job Corps camps, improving downtown areas, proposing priorities for revitalizing entire cities, or suggesting panaceas of slum rehabilitation, the social-industrialists are, at every point, pursuing private interest and ideology.

What is at stake is nothing less than how the Americans of the twenty-first

century are going to think and live. The tragedy of this new and profitable business conscience with which they may have to deal is already foreshadowed in the actual history of one of the first industries to adopt the pretense of unselfishness and anti-ideology: television.

In the mid-'thirties, William Paley of CBS appeared before the Federal Communications Commission. He was a sort of premature social-industrialist. His company, he said, was not primarily a "business organization, except to the extent that economics are a necessary means to social ends. Surely any stress on economics as an end in themselves would betray a lack of understanding of the role which broadcasting plays in every plane of American life." A generation later, after broadcasting had become totally commercialized, Newton Minow described the "wasteland" which had resulted. The Kennedy Administration then exhorted the broadcasters to live up to their social responsibility. In March, 1965, after four years of this concentration upon ethics, the FCC reported that public service hours had decreased by 15 percent.

Walter Lippmann summed up the implications of this particular experience and his words apply to the social-industrial complex as a whole. "The regulatory method," he wrote, "runs counter to the facts of life. It supposes that broadcasters can function permanently as schizophrenics, one part of the brain intent on profits and another of that same brain based on public service and the arts."

In the debate over public television, the Ford Foundation corroborated Lippmann's point. It had proposed a non-profit corporation which would utilize the revenues from domestic communications satellite service to finance an uncommercial network. The big companies in the field were, of course, opposed. But then the Ford Foundation argued that in the case of Comsat, a public-private corporation, the private interest had a disturbing habit of prevailing (six of the 15 members of the board are nominated by

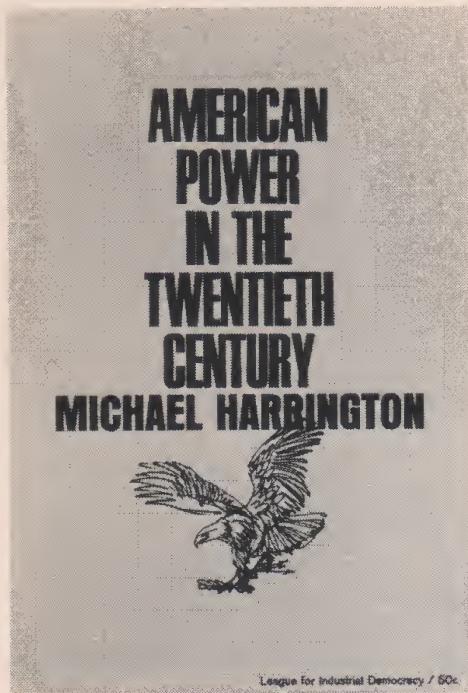
the commercial carriers, and the majority of the rest of the directors comes from business). Comsat, the Foundation said, had delayed orbiting facilities in the sky because such progress might jeopardize existing, and highly profitable, relay functions on the ground.

The Foundation made a succinct statement of why it opposed a private corporation in this particular part of the public domain. It told the Federal Communications Commission that such an enterprise "would be bound by law to serve the interests of its stockholders — which may not be that of the nation at large." The moral of this story is not confined to television.

The knowledge and the cities industries — and the entire social-industrial complex — suffer from this very same schizophrenia, and they are quite capable of making wastelands of the schools and cities. Like CBS in the 'thirties, their ceremonial rhetoric disdains the "stress of economics" even while their daily practice is based upon a self-interest. America, whether it likes it or not, cannot sell its social conscience to the highest corporate bidder. It must build new institutions of democratic planning which can make the uneconomic, commercially wasteful and humane decisions about education and urban living which this society so desperately needs.

CR

1126821



## ALSO FROM THE LID

Michael Harrington brilliantly probes the question: can the United States pursue a democratic foreign policy or does its politico-economic structure dictate a conservative course in world affairs?

**50¢**

---

**The Urban School Crisis** ..... 75¢  
Essays by Paul Goodman, Christopher Jencks, Nathan Glazer and others.

**Which Way Out?** ..... 25¢  
by Bayard Rustin

**The Pathos of "Black Power"** ..... 25¢  
by Paul Feldman

**To Build A New World: A Brief History of American Labor** ..... 35¢  
by Thomas R. Brooks

---

### **Quantity Rates: "The Social-Industrial Complex"**

1 or more—35¢ per copy  
10 or more—30¢ per copy  
100 or more—20¢ per copy  
500 or more—15¢ per copy

---

For publications or additional information about the LID write:

**League for Industrial Democracy**  
112 E. 19 Street/New York, N.Y. 10003  
(212) AL 4-5865